Health & Risk Update:

The COVID-19 Economic Impact on Employer Provided Health Insurance Schemes

Context

There were 466,000 people unemployed in Ireland at the peak of the financial crisis. Whilst there are 207,000 people on the "traditional" range of unemployment benefits currently, as of the 6th April, there are 507,000 availing of the COVID-19 Pandemic Unemployment Payment. This benefit is for employees who have lost their jobs; have been temporarily laid off; or lost their trading income if self-employed due to the COVID-19 (coronavirus) pandemic. This benefit will be in place for the duration of the crisis. There are also 130,000 benefiting from the Temporary Wage Subsidy Scheme, which means that roughly 844,000 are dependent or partly dependent on state subsidies.

Economic outlook

During the 2007/2008 downturn, the largest single quarter decline in GDP was 4%. For comparison, Goldman Sachs have released estimates that suggest the decline in GDP in quarter 2 of 2020 will be in the region of 34%.

This context is important as it highlights the impact of the COVID-19 pandemic on businesses, which can range simplistically from increased demand, reducing demand to no demand for their products or services, and also highlights the enormous cost to the exchequer. The impact on business will influence short and medium-term benefit priorities, which whilst universally includes a focus on a colleague's welfare, will also include financial objectives, which can range from cost cutting to concerns about premium volatility and sustainability.

Situations vary considerably

We are receiving a lot of "what if" questions on benefit implications from our clients who may be considering measures such as redundancy, temporary lay-offs or reduced pay etc. We have clarified the positions of each insurer and will be communicating what this means for each client.

Seek advice before any action

In order to ensure the best outcomes, we are asking clients to engage with us ahead of any measures to allow us to advise insurers as flexibility is conditional on pre-disclosure. Keeping up to date with premium payments will also be important, so if there are issues in terms of ability to pay, either financially or operationally, clients should contact us immediately.

Medical Insurance implications

In relation to medical insurance and the co-opting of private hospitals into the public system, we are still waiting to understand what impact this will have on the insurers, and the public finances in the context of the aforenoted economic position. Some detail is emerging, and the arrangement will be in place for 3 months, with rolling monthly extensions, if required.

There is still potentially a cost call on the insurers in public hospitals through a public bed designation arrangement, but there is no such call in the private sector. Public hospitals are unlikely to ask patients to sign waivers. This will reduce the insurer's claims and operations dramatically over the coming months.

Insurer impact

The insurers will be keen to be seen to supporting their members at this time, but it is our view that they will also need to consider the medium to long term impact, examples include:

- The aforenoted unemployment figures that are stated to hit 25%, on a temporary basis at least, will have a significant impact on the numbers in the consumer market retaining cover over the short and medium terms
- Younger, healthier people are more likely to exit the market
- Members are likely to look at downgrading cover for the period of the co-opting of the private system
- Waiting periods and lifetime community rating will kick in after 13 weeks; market absence if laws remain unchanged, will this mean members will be nudged into leaving the market permanently?
- There will be pent up demand for elective procedures once we revert back to "the norm"
- It is not known whether the government will try and recoup some costs from insurers, which will need to be passed onto members

What might insurers do?

Some of the potential options are likely to include:

- Through a claims channel, acknowledging hardship and refunding premium as an "ex gratia" sum sent to the policyholder, this approach would be of no benefit to corporate clients as they would not receive the benefit and the payment would potentially impact future pricing
- Through a premium channel, the mechanism for giving money back would have to be clarified, any rate reduction under current law would only impact new hires, backdating adjusted premium reductions to renewal is difficult as the period of private hospital co-option is unknown, so the reduction cannot be calculated unless an arbitrary number is landed on
- This method would cause issues for HR/Payroll/Online Benefit Managers etc. and is also complicated by renewal date differences
- The amount and mechanism could differ by insurer, which will cause additional headaches for the above stakeholders who use multiple insurers and different funding mechanisms

A bigger picture approach is required

As needs differ, some clients are reaffirming the importance of year on year pricing and other clients are looking for cost savings at this point, our preference is that insurers take some time to consider the headwinds, risks and consequences of their actions and focus on a range of solutions as a one size fits all solution will not work.

We will continue to keep you updated on developments in this fast-moving environment. Please contact your Account Manager to discuss your circumstances and they will help guide you through this turbulent time.

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